STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7043

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| Petition of Green Mountain Power Corporation | ) | |
| For Approval of a Voluntary Renewable Pricing | ) | Hearing at |
| Program Pursuant to 30 V.S.A. §8003 | ) | Montpelier, Vermont |
| | ) | June 23, 2005 |
| | ) | |

Order entered: 10/27/2005

PRESENT: John Randall Pratt, Hearing Officer

APPEARANCES: Peter H. Zamore, Esq.
Sheehey Furlong & Behm P.C.
for Green Mountain Power Corporation

Sarah Hofmann, Esq.
Geoff Commons, Esq.
for Vermont Department of Public Service

Andrew Perchlik
for Renewable Energy Vermont Inc.

## I. INTRODUCTION

This case concerns the approval of a proposed Voluntary Renewable Support Rider ("Rider") filed with the Vermont Public Service Board ("Board") on June 17, 2005, by Green Mountain Power Corporation ("Green Mountain Power", "GMP", or the "Company"). The Rider was filed to implement certain provisions of Green Mountain Power's February 19, 2004, Renewables Support Plan (the "Renewables Plan") under 30 V.S.A. § 8003. GMP proposes that the Rider become effective on a service-rendered basis to voluntary participants upon approval of the Rider by the Board. Pursuant to 30 V.S.A. § 8, I was appointed Hearing Officer for this proceeding.

On February 22, 2005, I held a prehearing conference to consider the schedule for this proceeding and issues raised by a draft Rider filed by Green Mountain Power on January 10, 2005. Peter Zamore, Esq., on behalf of Green Mountain Power, and Sarah Hofmann, Esq., and

Geoffrey Commons, Esq., on behalf of the Vermont Department of Public Service ("Department" or "DPS"), entered appearances. Representatives of Green Mountain Power and the Department attended the prehearing conference. The parties proposed an informal discovery schedule for this Docket, which I accepted.

On March 7, 2005, Renewable Energy Vermont Inc. ("REV") filed a motion to intervene in this Docket and, as no party opposed REV's request, I granted REV permissive intervention on April 29, 2005.

On March 25, 2005, the Company filed a revised draft Rider reflecting discussions with the Department and REV. On May 27, 2005, Green Mountain Power advised the Hearing Officer that the parties had reached agreement concerning terms of the Rider and the parties subsequently filed a Memorandum of Understanding ("MOU") supporting the Rider on June 17, 2005. Also on June 17, 2005, the Department filed the Prefiled Testimony of David F. Lamont and Green Mountain Power filed the Prefiled Testimony of James W. Brown in support of the MOU and Rider. At the June 23, 2005, hearing in this Docket, the Company proposed certain changes to paragraph 13 (now paragraph 14) of the MOU. An amended MOU ("Amended MOU") executed by all parties was filed with the Board by letter dated July 7, 2005.

Based on the Amended MOU, the prefiled testimony and associated exhibits, and the absence of any factual disputes, I have determined that this matter is ready for decision. I hereby propose that the Board make the following findings, approve the Rider as a "renewable pricing" program under 30 V.S.A. § 8002(1), and find that the Rider uses tariff designs and regulatory methods that are consistent with the authorization for such programs pursuant to 30 V.S.A. § 8003.

## II. FINDINGS

1. In Docket 6545 (wherein the Board conditionally approved the sale of the Vermont Yankee Nuclear Power Station to Entergy Nuclear Vermont Yankee, LLC), the Board required that if the Company received certain funds from Vermont Yankee Nuclear Power Corporation ("VYNPC"), it must submit a plan to ensure that the funds will be used for the benefit of the Company's customers and that the plan must consider applying a significant portion of the funds

towards the development and use of renewable resources. The Company received credits totaling roughly $476,000 reflecting 2003 and 2004 refunds of Nuclear Electric Insurance Limited ("NEIL") premium payments.[1] Brown pf. at 2.

2. In response to the Board's requirements for use of these funds, Green Mountain Power filed the Renewables Plan on February 19, 2004. The Renewables Plan provided for application of 60% of the NEIL refund to capital projects that create, preserve or increase Company renewable generation facilities, 30% of the NEIL refund to fund the Vermont Solar and Small Wind Incentive Program, and 10% to be used for the development and implementation of a tariff-based renewables support program. The Rider is intended to implement the provisions of the Renewables Plan relating to the tariff-based renewables support program. Brown pf. at 2-3.

3. The Rider provides an opportunity for Green Mountain Power customers to support new renewable resources by means of incremental monthly payments that would be used to acquire either energy produced by new renewables or Renewable Energy Certificates ("RECs") associated with new renewables. In particular, the Company will purchase, on behalf of participating customers, all or a specified portion of an eligible customer's annual kWh energy consumption with renewable energy or RECs. The service offered through the Rider is optional. Brown pf. at 3; Lamont pf. at 2.

4. Customers taking service from the Company under rate schedules 01, 06, or 63, which are the Company's basic residential, commercial and industrial rate classes, are eligible to participate in the Rider. The Transmission Service rate class was excluded because of the size of the single customer served under that rate. The other rate classes were excluded either because the associated tariffs are more complex and therefore would create administrative issues (Rates 02, 11, 21, 61) or because it was unlikely that customers would be interested in the Rider (Rates 15, 16, 18). Existing Rate 01, 06 and 63 special contract customers are eligible to receive service under the Rider. Brown pf. at 3-4; Lamont pf. at 2; letter dated July 15, 2005, from Peter Zamore to Susan M. Hudson.

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1. The Company received another roughly $275,000 relating to a 2005 NEIL refund and, in a filing dated June 30, 2005, proposed that 10% of these funds also be used for the Rider. This filing has not yet been approved by the Board.

5. Except in the case of a new customer, eligibility is limited to customers with an account that is current (i.e., no past due balance) and who have paid all charges for electric service due during the previous six billing months on time. This provision is intended to reflect the fact that the higher charges under the Rider may not be appropriate for customers having difficulty paying their bills. The Rider is also not available to customers on the Company's budget billing plan, because including these customers involves unnecessary billing complexity. Brown pf. at 4.

6. The Rider provides for monthly charge calculations based on actual use and fractional Rider participation levels (25%, 50%, 100%), whereas monthly charges for budget billing customers are based on a prorated dollar amount, with an annual adjustment. Letter dated July 15, 2005, from Peter Zamore to Susan M. Hudson.

7. In order to avoid added costs associated with customer turnover, a customer is allowed to enter and exit the program once in five years and the Company reserves the right to require contracts with up to five-year terms for customers who are served under Rate 63. Lamont pf. at 2.

8. Residential (Rate 01) and small commercial customers (Rate 06) must take service in an amount equivalent to 25%, 50% or 100% of their energy consumption. Large commercial and industrial customers (Rate 63) must take service under this Rider in an amount equivalent to 10% of their energy consumption, or equivalent to a higher proportion based on 10% increments (e.g., 20%, 40%) approved by the Company. Brown pf. at 4-5; Lamont pf. at 3.

9. In addition, the Company reserves the right to limit annual increases in participation under the Rider to 1% of the Company's load on an aggregate basis, and 0.5% of the Company's load with respect to any individual customer. These provisions are necessary to avoid excessive administrative costs and to avoid undue dislocations that might occur if the level of required purchases of renewables or RECs were to change abruptly and significantly. Paragraphs 1-3 of the Terms and Conditions section of the Rider contain additional limitations intended to address these issues. Brown pf. at 5.

10. The Rider precludes disconnection for failure to pay Rider charges that are in excess of the otherwise applicable charges. If a customer that has elected to receive service under the Rider does not pay its electric service account within sixty-four (64) days from the date of the

bill, the customer shall be removed from the Rider. Any disconnection notice sent to the customer during this period will not include the past due amounts for Rider service (i.e., amounts greater than the otherwise applicable charges if service were not provided under the Rider). Removal from the Rider will be retroactive to the date of the initial past due Rider service amount. *Id.*; Amended MOU at 3.

11. The Company will purchase energy, when available at an anticipated cost that is less than undifferentiated system energy with similar characteristics, from Qualifying Renewable Energy Sources, with preference for those located closer to the Company's service area. A Qualifying Renewable Energy Source is defined as an electrical generating facility that:

(a) has received a Statement of Qualification from the Massachusetts Division of Energy Resources certifying that the generating facility meets the requirements of eligibility as a New Renewable Generation Unit; or

(b) has been approved by the Connecticut Department of Public Utility Control as a qualified Class I Renewable Portfolio Standards Generator.

Brown pf. at 6.

12. To the extent that requirements are not met by means of purchases from Qualifying Renewable Energy Sources, the Company will acquire and retire tradeable RECs issued by the NEPOOL Generation Information System associated with Qualifying Renewable Energy Sources. To the extent sufficient RECs are not available at a price equal to or less than $.0525/kWh, the available RECs will be applied pro rata to the accounts of participating customers and charges under the Rider will be reduced accordingly. *Id.*; Amended MOU at 2.

13. Customers enrolling under the Rider will pay the otherwise applicable charges for all aspects of service other than the energy charge. Instead of paying the energy charge of the underlying rate, customers will instead pay a charge equal to the sum of (1) the projected five-year levelized cost of energy purchases by the Company, and (2) the five-year market price for RECs, from which is subtracted savings (if any) due to purchases from Qualifying Renewable Energy Sources. Brown pf. at 6-7; Lamont pf. at 3.

14. The projected levelized five-year energy cost would be based on the annuitization of the present value (based on an 8% discount rate) for the period that the rate will be in effect, of

projected Company annual energy costs, reflecting the average unit cost of fuel and the energy component of contract purchases and ISO-NE real-time and day-ahead purchases, plus the cost of any financial instruments (such as options or hedges) believed necessary by the Company to protect itself against changes in prices or loads. Brown pf. at 7-8.

15. The avoided energy costs, and the benchmark for calculating any savings from renewable energy purchases, are also based on the five-year levelized cost, rather than the energy costs established in the Company's last rate adjustment. Holding the renewable energy portion of rates level for five years creates an element of stability similar to the city of Austin, Texas, green tariff, which was used as a model for the Rider. *Id*.

16. The energy portion of the underlying rate that is backed out will equal the average unit cost of the following: fuel; the energy component of contract purchases; and ISO-NE real-time and day-ahead purchases included in the customer's current rate, as reflected in the cost of service and Fully Allocated Class Cost of Service Study, if applicable, associated with the customer's currently-effective rate schedule. Brown pf. at 7.

17. If the Company's rates change during the five-year Rider term, a Rider customer's bill will reflect any changes in the non-energy component of the customer's underlying rate, but will not reflect changes in the energy component, since the energy component has been backed out and the customer pays instead the energy charges established under the Rider. *Id.*

18. Any savings associated with purchases from Qualifying Renewable Energy Sources would be based on the difference between (a) the average cost of energy per kWh of the portfolio of Qualifying Renewable Energy Sources associated with service under the Rider, and (b) the five-year New England Hub Market energy price, consisting of the present value (based on an 8% discount rate) for the period that the rate will be in effect, of forward energy prices for the ISO-New England hub, defined as the average of bids and offers for on- and off-peak energy as reported by an established broker. If quotes for ISO-New England electric energy are not available for the full-five year period, then NYMEX closing forward prices for Henry Hub natural gas in $/mmBtu multiplied by a heat rate of 9.534 mmBtu/mWh will be substituted. *Id.* at 8.

19. The Company may include a reasonable allowance for uncollectibles, based on previous experience under the Rider. *Id.*

20. The Rider represents a new, formula-based approach to establishing charges for customers, in order to create a high level of rate stability for five-year periods. Because the formula does not include a high level of detail, it is not certain that all potential implementation issues have been addressed. In particular, there is the potential for unrecovered costs due to a required annual price schedule that is less than the associated costs projected by the Company. In order to protect the Company against this potential, the Company reserves the right to withdraw and cancel the Rider in the event any annual adjustment filed by the Company is suspended or otherwise modified by the Board; provided that any such withdrawal and cancellation shall not affect service to customers served under a previously-filed adjustment. The Company expects that if this provision were exercised, it would work with the Department and other interested parties to address any issues, in order to facilitate the filing of a revised annual adjustment. *Id.* at 9.

21. The Amended MOU provides that any order approving the Rider shall permit at least thirty (30) days from the date of the order for the filing of a conforming tariff. Upon the issuance of an approval order, Green Mountain Power will file a conforming final version of the Rider, to be effective without suspension or investigation. The Amended MOU further provides that the initial annual November 15 filing is not required until the Rider is in effect. As a result, a Board order must be issued by October 15, in order to initiate implementation by means of a November 15 filing in the same year. Brown pf. at 9-10; Amended MOU at 3-4.

22. The Rider has been designed so as to minimize the administrative and marketing expenses associated with the Renewables Plan. Since the service is provided in the form of a tariff rider, Green Mountain Power can use the same processes and procedures to implement the service regardless of the participating customer's tariff rate class or the percentage of its service that will be subject to the terms and conditions of the Green Tariff. Brown pf. at 10. Lamont pf. at 7.

23. The Company intends to market the Rider in the following ways: (1) monthly customer newsletter and the Company's website, both of which will include information and a registration

form; (2) bill inserts and on-bill messages; (3) news releases and media contacts; and (4) other efforts, including speaking engagements, and coordinated efforts with third parties. Brown pf. at 10.

24. The Company has agreed to work with the Department in the development of customer communications and marketing materials to be used to promote the Rider to customers in order to promote participation. To the extent that the Company and the Department are unable to resolve any disputes that may arise concerning customer communication and marketing materials, either the Department or the Company will submit the dispute to the Board for resolution. The Company will also provide to REV copies of all such customer communications and marketing materials and notify REV of any changes to the Rider or annual reports and will make reasonable efforts to keep REV apprised of any other changes. Brown pf. at 10-11; MOU at §13.

25. The NEPOOL Generation Information System provides the safeguards to ensure that the attributes of generation match the actual kWh of generation. Lamont pf. at 8.

26. There are several terms in the Amended MOU that are not reflected in the Rider. The Company will, at least annually, provide notice to Rider customers to inform them that they are participating in the Company's voluntary renewable support program, that as a participant they are paying a premium for Rider service, and providing information on how to un-enroll from the Rider. Brown pf. at 11; Amended MOU at 3.

27. If fewer than 100 customers have enrolled under the Rider by one year from its effective date, the Company will provide notice to the Board and Department and the Board may reopen this investigation in order to consider whether the Rider should be amended, suspended or closed. Brown pf. at 11; Amended MOU at 4.

28. In addition, the Company will file a report with the Department and the Board one year from the effective date of the Rider, outlining the performance of the Rider in the first year of operation. The report shall include the number of people served, amount of incremental revenues for service under the Rider, the incremental costs incurred in marketing and program administration, and the identification of any barriers to success that the Company has noted and the Company's recommendations for overcoming them. The report will also contain an

evaluation of whether the Rider should be available to budget billing customers and whether avoided transmission charges attributable to purchases of Vermont renewables are significant enough to be reflected in the rate formula. The Company may provide more information if it so chooses. If either the Company or the Department so requests, they will meet with the other to review the Rider in more detail. Brown pf. at 11-12; Amended MOU at 4.

29. Other Amended MOU provisions are relatively standard, and disclaim any precedential impact, and permit parties to terminate if the Amended MOU is not approved by the Board in its entirety. Brown pf. at 12.

**Statuary Requirements**

30. The Rider Plan adequately addresses the factors in 30 V.S.A. § 8003(g). This finding is supported by the findings below.

31. The program is designed to minimize marketing and administrative expenses through use of a tariff rider, by avoiding complex requirements, and by using marketing efforts that are minimally incremental to the Company's existing efforts. Brown pf. at 12.

32. The Company will purchase, acquire, and retire only tradeable RECs issued by the NEPOOL Generation Information System, which is an established certification source. Purchases of energy from new renewables will be documented by a contract for the purchase of the energy and acquisition and retirement of the RECs associated with the purchase. Brown pf. at 13.

33. The marketing and promotion plans have been described in findings 20-21, above.

34. The program should cost-effectively promote renewable energy because marketing and administrative expenses are minimized and because customer funds go directly to the promotion of renewable energy through the purchase of energy and/or RECs associated with certified new renewable generation. The purchase and retirement of renewable credits promotes renewable energy in the region by increasing demand for the attributes of renewable energy systems. Vermont is in an excellent position to benefit from this increased demand by employing its own wind and biomass resources to provide much of this supply. Brown pf. at 13; Lamont pf. at 8.

35. Because the renewable energy and RECs are being acquired from third parties, there is no way to verify that the payment price equals the seller's cost and that any production, tax and other incentives have been used to reduce the price. The Company will pay market prices for resources acquired and these incentives will benefit the Company's customers to the extent they are reflected in the market price. Brown pf. at 13.

36. The program has been designed to maximize the potential that participating customers pay for all associated costs in the following ways. First, the Company believes that it will be able to acquire RECs and renewable energy in an amount that does not exceed the demand and at a price that does not exceed the formula price under the Rider. The Company intends to acquire RECs prior to each sign-up period and therefore will know the price to include in the annual adjustment. It will "true up" differences between the amount purchased and demand through subsequent purchases and sales. Through these measures, the Company does not expect significant variance between the estimated and actual amounts or costs. Any renewable energy purchased for the program will be acquired prior to the annual adjustment and thus, again, the price will be known. In order to minimize the potential of excess purchases, the Company will not acquire renewable energy until it has sufficient experience with the program to predict demand relatively accurately and its estimates of forecasted demand will be conservative. Second, the formula that determines the cost of energy that is "backed out" of the energy component of the underlying rate is intended to reflect the energy costs included in current rates. Brown pf. at 13-14.

37. Some costs of the program may potentially flow to nonparticipating customers, but program costs are not substantial in relation to the overall revenues of the Company and are reasonable in proportion to the program and to the associated long-term opportunities that may arise from the program. As long as the Company takes care to attribute to the program any deviations between actual and projected power costs, non-participants should be insulated from the cost-levelizing aspects of the Rider. Lamont pf. at 9.

## III. DISCUSSION

30 V.S.A. § 8003 sets forth several requirements that utility renewable pricing programs must meet, as well as several factors that the Board must consider when reviewing a proposed renewable pricing program. For the reasons set forth below, and after considering the factors listed in 30 V.S.A. § 8003(g), I conclude that Green Mountain Power's proposed Rider meets the statutory requirements for renewable pricing programs.

The first statutory requirement relates to the type of renewable pricing program that may be proposed. Green Mountain Power's proposed Rider is a tariff, and 30 V.S.A. § 8003(a) states that renewable pricing programs may take the form of tariffs. A sample calculation, based on hypothetical values, is contained in Attachment A to the Rider, and is attached to this Proposal for Decision as well.[2]

The next applicable statutory requirement (30 V.S.A. § 8003(c))[3] is that "Any renewable pricing program shall require that any costs of power in excess of the company's alternative cost of power shall be borne solely by those customers who elect to participate in the renewable pricing program."[4] Green Mountain Power's proposed Rider is consistent with this requirement as long as the Company attributes any differences between actual and projected power costs to the program. Moreover, program costs are insignificant in relation to the Company's overall revenues, and are reasonable in proportion to the program itself.

The third statutory requirement is that any RECs acquired as part of a renewable pricing program must be permanently retired and not sold or otherwise disposed of, unless a program is not fully subscribed, in which case the RECs associated with the unsubscribed portion of the program may be sold or disposed of at no less than market value if the net proceeds of such sale

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2. It should be noted that the base amount of the Rider adjustment and the energy portion of the customer's current rate included in the sample calculation are the same, even though they are calculated using completely different methodologies.

3. 30 V.S.A. § 8003(b) does not apply in this instance. It refers to standard special contracts for renewable pricing; this is not the form that GMP has chosen to use for its renewable pricing program.

4. 30 V.S.A. § 8003(c).

or disposal are used to reduce the cost paid under the renewable pricing program.[5] As stated in finding 12, Green Mountain Power will retire the RECs that it purchases to meet program requirements.

The fourth statutory requirement relates to the accuracy and content of disclosures and representations made regarding renewable pricing programs. The Amended MOU provides that GMP and the DPS will work together to develop customer communications and marketing materials. The goal of this cooperation is to ensure that customers have clear and accurate information about Rider service. GMP and the DPS must keep in mind the statutory requirements of 30 V.S.A. § 8003(e) when they develop customer communications and marketing materials to ensure that they comply with this section of the statute.

The fifth statutory requirement is that the Board may determine which customers should be offered renewable pricing programs. GMP's Rider states which customer classes are eligible to participate in the program, and GMP has explained why it intends to offer the program only to those customer classes at this time. I am persuaded that, at least for the first year, the eligibility requirements for participation in the program are appropriate. However, I am interested in the viability of allowing budget billing customers to participate in the Rider, and I am pleased that under the terms of the Amended MOU, this issue will be addressed in GMP's first year report.

The sixth statutory requirement is that the Board consider several factors when reviewing a proposed renewable pricing program.[6] The parties have presented evidence on each of these

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5. 30 V.S.A. § 8003(d).

6. 30 V.S.A. § 8003(g) requires the Board to consider the following factors when reviewing a proposed renewable pricing program:

> (1) minimization of marketing and administrative expenses;
> (2) auditing or certification of sources of energy or tradable renewable energy credits;
> (3) marketing and promotion plans;
> (4) effectiveness of the program in meeting the goals of promoting renewable energy generation and public understanding of renewable energy sources in Vermont;
> (5) retention by the program of renewable energy production incentives, tax incentives and other incentives earned or otherwise obtained by energy resources acquired pursuant to or as part of a renewable pricing program approved under this section to reduce the cost of any premiums paid under this section; and
> (6) costs imposed on nonparticipating customers arising on account of the implementation of the voluntary renewable pricing program.

factors (see findings 28-35, above). Based on the evidence in the record, I find that Green Mountain Power's proposed rider adequately addresses those factors.

Nevertheless, I do have some concerns about the Rider, which I expressed to the parties at the technical hearing and afterward. In a July 1, 2005, Memorandum, I expressed concern that customers may end up paying higher energy charges than appropriate due to the inherent uncertainty in projecting energy costs and an apparent incentive for the Company to base the energy rate on high projected energy costs.[7] I also indicated that it was unclear whether any increment of projected over actual costs would be refunded to customers, and conversely whether the Company would seek to collect any deficiency. Finally, I also expressed my concerns that the pricing calculation methodology appears quite complex, and seems to require a high level of sophistication to understand, much less to decide the level of one's participation, and as a result of this complexity, I find a lack of assurance that customers will understand what they are buying.

GMP addressed these issues by letter dated July 15, 2005, which set out the following considerations:

> a. The fixed, levelized energy price feature has been an inherent part of the proposed renewables rider, since the concept was first developed in connection with the Renewables Plan.
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> b. To the extent GMP is able to contract for the purchase of energy for a five-year term, it intends to reflect such purchases in the levelized price. To the extent it is unable to serve the Rider load by means of such contracts, a levelized price must be based on energy cost projections.
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> c. Under the Rider, there would be no after-the-fact adjustment to reflect differences between projected and actual costs, because such an adjustment would be inconsistent with the premise of a fixed, levelized energy price.

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7. The costs under the Rider are fixed for 5 years for all customers who choose service under the Rider, but industrial customers also must, at GMP's discretion, continue to take service under the Rider for the entire 5-year period. All other customers may discontinue Rider service at any time.

d. Rates are typically set in Vermont based, in part, on projections (albeit for shorter periods of time), without an after-the-fact adjustment to reflect variances between projected and actual costs.

e. To the extent Rider rates exceed the otherwise-applicable rates at any point during the five-year term, customers may (subject to any applicable termination provisions contained in Board-approved special contracts for large customers) terminate purchases under the Rider and return to the otherwise applicable rate.

f. The annual adjustment (reflecting the five-year energy cost projection) is subject to Department review and Board suspension. As a result, to the extent that the Department or Board disagrees with a proposed energy cost projection, there are procedural mechanisms to address any disagreement.

g. The energy cost projections will be based on market formulas that represent a broad consensus of future market conditions.

Regarding the complexity of the pricing structure, the Company indicated that customers need only understand the amount of the fixed, five-year energy charge and that the remaining portion of their charges will not be fixed. In this regard, the Rider energy charge is more easily understandable than the energy portion of the otherwise applicable rate, which is subject to variation and which is based on complex factors established in a rate case. In general terms, under the Rider, customers will pay a five-year fixed rate instead of the energy portion of their current rate, which fluctuates as the Company's rates change. The five-year fixed rate will be based on (1) the Company's projected five-year energy costs, (2) its cost to purchase RECs, and (3) the savings from purchasing energy from new renewable generation rather than the market. The energy portion of the customer's current rate that is replaced will be based on the energy costs collected in the current rate. In addition, the Company's commitment to work with the Department in developing customer communications and marketing materials should minimize the potential for customer confusion.

Even with these clarifications, my reservations remain. However, I recognize that the Rider is a first attempt at providing a new service to GMP's customers. As such, the program may turn out to have some flaws, and it may need to be modified after GMP has some experience with the Rider's operation. The parties have contemplated this possibility, and the Amended MOU specifically requires GMP to file a report after the program has been in operation for one year. This requirement ensures that the Rider's operation will be seriously reviewed, provides an opportunity for GMP to suggest changes, and provides both the DPS and the Board with valuable information regarding the Rider's operation. Thus, one of the reasons I am recommending that the Board approve the Amended MOU is that it includes a mechanism for reviewing this new service after it has been in effect for one year.

I recognize that giving GMP's customers an option to support renewable energy is a significant benefit of the Rider. Vermont has a policy of encouraging the use of renewable energy; the Rider is one way of doing so. It is important, however, that this public policy goal not be met at the expense of customer confusion. That is, customers should know what they are paying, and what they are buying with those payments. The Rider is a complex program and it will be challenging to clearly convey to customers the details of the program's operation in a simple manner. I am encouraged that the parties to the Amended MOU have considered this issue. Both GMP and the DPS have extensive experience with customer communications. Since the Amended MOU requires GMP and the DPS to work together to develop customer communications and marketing materials about the Rider, customer confusion about the Rider should be minimized. And if it turns out that there is meaningful customer confusion about the Rider, I expect GMP to include this information in its report due after the Rider has been in operation for one year. This will provide an opportunity to consider whether changes to the Rider can and should be made to reduce the customer confusion.

My recommendation to the Board contains one more element. At the technical hearing I requested an explanation of why GMP chose to exclude customers who participate in the Company's budget billing plan from participating in the Rider.[8] Previously, the Board expressed similar concerns in approving Central Vermont Public Service Corporation's ("CVPS") green pricing program.[9] GMP has not explained its reasons for this exclusion to my satisfaction. On

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8. Tr. 6/23/05 at 18-20.

9. "CVPS shall include the following [. . .] in the report the MOU requires it to file with the Board and the DPS after the Voluntary Renewable Pricing Program has been in operation for one year: [. . .]the effort that would need

September 30, 2005, CVPS filed a report stating that it does not propose to start making its green pricing program available to its budget billing customers. Nonetheless, the Board has asked the Department to file comments on CVPS's report. I recommend that the Board retain jurisdiction over GMP's Rider on this issue, and that GMP, the Department, and REV also respond to CVPS's report (as it relates to GMP on this issue only), by October 21, 2005. The Board would reserve further action until it has reviewed those comments.

Finally, I note that Act 61, signed into law earlier this year, requires the Board to develop policies regarding RECs, generation disclosure, and other areas that may affect the Rider's operation. The Board is in the process of implementing those new statutory requirements. It is possible that the Board's decisions regarding these issues may necessitate changes to the Rider. If such a circumstance arises, I recommend that GMP shall promptly notify the Board and the DPS.

## IV. Conclusion

Based upon all the above evidence, I find that the proposed Rider meets the definition for an optional "renewable pricing" program under 30 V.S.A. § 8002(1) and that it uses tariff designs and regulatory methods that are consistent with the authorization for such optional services as provided pursuant to 30 V.S.A. § 8003. The Rider has been developed and designed in a manner that adequately addresses the policy factors that must be taken into account by the Board pursuant to 30 V.S.A. § 8003(g).

Pursuant to 30 V.S.A. § 8 and based on the record and evidence before me, I present the foregoing findings of fact and conclusion of law to the Board.

By letters dated September 13, 2005, and 3 V.S.A. § 811, the parties agreed to waive review of and comment on this Proposal for Decision, provided that it is substantially the same as that filed by GMP on July 15, 2005.

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to be incurred and the desirability of opening up Rider Tariff service to budget billing customers. . ." Docket 6933, Order of 7/30/04, at 36.

Dated at Montpelier, Vermont, this 7th day of October, 2005.

s/John Randall Pratt
John Randall Pratt
Hearing Officer

## V. Order

It Is Hereby Ordered, Adjudged and Decreed by the Public Service Board of the State of Vermont that:

1. The findings of fact, conclusions of law and recommendations of the Hearing Officer are adopted.

2. The Voluntary Renewable Support Rider and the Amended Memorandum of Understanding among Green Mountain Power Corporation, Renewable Energy Vermont Inc. and the Vermont Department of Public Service, are approved.

3. The requirement, pursuant to Rule 2.401(C), that Green Mountain Power Corporation make a filing of estimated revenues and costs for Rider service is hereby waived.

4. Green Mountain Power Corporation shall file tariffs implementing the Rider within thirty (30) days from the date of this Order.

5. If fewer than 100 customers have enrolled under the Rider by one year from its effective date, Green Mountain Power Corporation shall provide notice to the Board; the Department, and the Board may reopen this investigation in order to consider whether the Rider should be amended, suspended or closed.

6. Thirty (30) days after the Rider has been in effect for one year (on a bills-rendered basis), Green Mountain Power Corporation shall file a report with the Department and the Board outlining the performance of the Rider in the first year of operation. The report shall include the number of people served, amount of incremental revenues for service under the Rider, the incremental costs incurred in marketing and program administration, and the identification of any barriers to success that Green Mountain Power has noted and Green Mountain Power's recommendations for overcoming them. The report shall also contain an evaluation of whether the Rider should be available to budget billing customers and whether avoided transmission charges attributable to purchases of Vermont renewables are significant enough to be reflected in the rate formula. Green Mountain Power Corporation may provide more information if it so chooses.

7. By November 10, 2005, Green Mountain Power Corporation, the Department of Public Service, and Renewable Energy Vermont Inc. shall file comments regarding the participation of budget billing customers in the Rider.

Dated at Montpelier, Vermont, this 27th day of October, 2005.

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|---|---|---|
| s/James Volz | ) | |
| | ) | PUBLIC SERVICE |
| | ) | |
| s/David C. Coen | ) | BOARD |
| | ) | |
| | ) | OF VERMONT |
| s/John D. Burke | ) | |

OFFICE OF THE CLERK

FILED: October 27, 2005

ATTEST: s/Susan M. Hudson
Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*